

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

ENEL COMPANY, LLC, *et al.*,

Plaintiffs,

v.

DAVID R. SCHAEFER, *et al.*,

Defendants.

AND RELATED CROSS AND
COUNTER CLAIMS.

CASE NO. 12-cv-1369-IEG(WMC)

AMENDED ORDER:

**(1) DENYING PLAINTIFFS'
MOTION FOR PARTIAL
SUMMARY JUDGMENT; AND**

**(2) GRANTING IN PART AND
DENYING IN PART
DEFENDANT'S CROSS-MOTION
FOR PARTIAL SUMMARY
JUDGMENT**

[Doc. Nos. 85, 94]

On June 6, 2012, Plaintiff Enel Company, LLC (“Enel”) commenced this patent-infringement action against various defendants, including Defendant Lakeland Gear, Inc., which is now known as Rightline Gear, Inc. (“Rightline”). Plaintiff Lee B. Cargill later joined Enel in prosecuting this action. Presently before the Court are the parties’ cross-motions for partial summary judgment. Both motions are opposed.

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The Court found these motions suitable for determination on the papers submitted and without oral argument. See Civ. L.R. 7.1(d.1). For the following reasons, the Court **DENIES** Plaintiffs' motion for partial summary judgment, and **GRANTS IN PART** and **DENIES IN PART** Defendant's cross-motion for partial summary judgment.

BACKGROUND

On October 18, 2000, Mr. Cargill filed a provisional patent application for a “pickup truck tent camping system.” (Def.’s Mot. Ex. 1.) In the provisional application, he summarized the invention as having three subsystems, “each of which removably mount to the cargo box of [a] truck”: (1) a tent assembly with removal cover, (2) an elevated platform assembly, and (3) a travel cover assembly. Mr. Cargill subsequently assigned the patent to Enel. On November 19, 2002, U.S. Patent Number 6,481,784 (“Patent ’784”) was issued for Plaintiffs’ pickup truck tent camping system. (Def.’s Mot. Ex. 11.)

By 2003, Mr. Cargill was aware of other truck tents available on the market, including David Schaefer and Lakeland Enterprises, LLC’s “Camp-Right” truck tent.¹ (Def.’s Mot. Exs. 3, 5.) On July 31, 2003, Plaintiffs’ counsel sent Mr. Schaefer a letter identifying Enel as the owner of Patent ’784 and Mr. Cargill as the inventor of a “truck tent camping system.” (Def.’s Mot. Ex. 12.) He noted that Mr. Schaefer’s “Camp Right” truck tent was noticed on a website and “thought that [Mr. Schaefer] should be highly interested in the ’784 patent.” (Id.) Sometime thereafter, Mr. Schaefer responded, stating that he was “quite confident there is no infringement what so ever,” and expressed that he was not interested in discussing licensing at that time. (Def.’s Mot. Ex. 16.) This prompted a response from Plaintiffs’ counsel on August 18, 2003, demanding that Mr. Schaefer “immediately

¹ Mr. Schaefer owned and controlled Lakeland Enterprises, LLC (“Lakeland”). Mr. Schaefer and Lakeland are also defendants in this action, but they are not moving parties in the pending cross-motions for partial summary judgment. Mr. Schaefer and Lakeland do, however, separately oppose Plaintiffs’ partial-summary-judgment motion. (Doc. No. 96.)

1 cease and desist making, having made, using, selling, offering to sell, and importing
 2 [his] infringing products or be prepared to face infringement litigation.” (Def.’s
 3 Mot. Ex. 17.) On October 22, 2003, Lakeland’s counsel sent a letter to Plaintiffs’
 4 counsel identifying distinctions between the parties’ respective truck tents, and
 5 requesting observations and comments directed to specific elements raised. (Def.’s
 6 Mot. Ex. 19.) Plaintiffs did not respond.

7 The parties agree that there was no correspondence from October 2003 until
 8 this lawsuit was filed. During that time period, in August 2008, Mr. Schaefer sold
 9 “all or substantially all of the non-real property assets” of Lakeland to Defendant
 10 Rightline. (Def.’s Mot. Ex. 25; Pls.’ Mot. Ex. A; Evans Decl. ¶ 3.) After the
 11 purchase, Defendant invested over \$320,000 in the business purchased from
 12 Lakeland, which included the truck-tent product line. (Evans Decl. ¶¶ 13–14.) It
 13 also increased its vendors from approximately 2 vendors in 2008 to 32 vendors as of
 14 June 2012. (*Id.* ¶ 16.)

15 On June 6, 2012, Plaintiffs commenced this action, asserting claims for the
 16 infringement of Patent ’784, and injunctive relief. In response to the complaint,
 17 Defendant, Mr. Schaefer, and Lakeland assert equitable affirmative defenses,
 18 including laches and equitable estoppel. They contend that Plaintiffs’ claims are
 19 barred, in whole or in part, by these equitable defenses. The parties now cross move
 20 for partial summary judgment. Both motions are opposed.

21 DISCUSSION

22 **I. Legal Standard**

23 Summary judgment is appropriate under Rule 56(c) where the moving party
 24 demonstrates the absence of a genuine issue of material fact and is entitled to
 25 judgment as a matter of law. See Fed. R. Civ. P. 56(c); Celotex Corp. v. Catrett,
 26 477 U.S. 317, 322 (1986); Satterfield v. Simon & Schuster, Inc., 569 F.3d 946, 950
 27 (9th Cir 2009). A fact is material when, under the governing substantive law, it
 28 could affect the outcome of the case. Anderson v. Liberty Lobby, Inc., 477 U.S.

1 242, 248 (1986). A dispute about a material fact is genuine if “the evidence is such
 2 that a reasonable jury could return a verdict for the nonmoving party.” Anderson,
 3 477 U.S. at 248.

4 A party seeking summary judgment always bears the initial burden of
 5 establishing the absence of a genuine issue of material fact. Celotex, 477 U.S. at
 6 323. The moving party can satisfy this burden in two ways: (1) by presenting
 7 evidence that negates an essential element of the nonmoving party’s case; or (2) by
 8 demonstrating that the nonmoving party failed to make a showing sufficient to
 9 establish an element essential to that party’s case on which that party will bear the
 10 burden of proof at trial. Id. at 322-23. “Disputes over irrelevant or unnecessary
 11 facts will not preclude a grant of summary judgment.” T.W. Elec. Serv., Inc. v. Pac.
 12 Elec. Contractors Ass’n, 809 F.2d 626, 630 (9th Cir. 1987).

13 “The district court may limit its review to the documents submitted for the
 14 purpose of summary judgment and those parts of the record specifically referenced
 15 therein.” Carmen v. S.F. Unified Sch. Dist., 237 F.3d 1026, 1030 (9th Cir. 2001).
 16 Therefore, the court is not obligated “to scour the record in search of a genuine issue
 17 of triable fact.” Keenan v. Allen, 91 F.3d 1275, 1279 (9th Cir. 1996) (citing
 18 Richards v. Combined Ins. Co. of Am., 55 F.3d 247, 251 (7th Cir. 1995)). If the
 19 moving party fails to discharge this initial burden, summary judgment must be
 20 denied and the court need not consider the nonmoving party’s evidence. Adickes v.
 21 S.H. Kress & Co., 398 U.S. 144, 159-60 (1970).

22 If the moving party meets this initial burden, the nonmoving party cannot
 23 defeat summary judgment merely by demonstrating “that there is some metaphysical
 24 doubt as to the material facts.” Matsushita Elec. Indus. Co., v. Zenith Radio Corp.,
 25 475 U.S. 574, 586 (1986); Triton Energy Corp. v. Square D Co., 68 F.3d 1216, 1221
 26 (9th Cir. 1995) (“The mere existence of a scintilla of evidence in support of the
 27 nonmoving party’s position is not sufficient.”) (citing Anderson, 477 U.S. at 242,
 28 252). Rather, the nonmoving party must “go beyond the pleadings” and by “the

1 depositions, answers to interrogatories, and admissions on file,” designate “specific
 2 facts showing that there is a genuine issue for trial.” Celotex, 477 U.S. at 324
 3 (quoting Fed. R. Civ. P. 56(e)).

4 When making this determination, the court must view all inferences drawn
 5 from the underlying facts in the light most favorable to the nonmoving party. See
 6 Matsushita, 475 U.S. at 587. “Credibility determinations, the weighing of evidence,
 7 and the drawing of legitimate inferences from the facts are jury functions, not those
 8 of a judge, [when] he [or she] is ruling on a motion for summary judgment.”
 9 Anderson, 477 U.S. at 255.

10 Rule 56(d) provides for partial summary judgment. See Fed. R. Civ. P. 56(d)
 11 (“[T]he court . . . shall if practicable ascertain what material facts exist without
 12 substantial controversy and what material facts are actually and in good faith
 13 controverted.”). Under Rule 56(d), the court may grant summary judgment on less
 14 than the non-moving party’s whole claim. Zapata Hermanos Sucesores, S.A. v.
 15 Hearthside Baking Co., Inc., 313 F.3d 385, 391 (7th Cir. 2002) (Posner, J.). Partial
 16 summary judgment is a mechanism through which the court deems certain issues
 17 established before trial. Lies v. Farrell Lines, Inc., 641 F.2d 765, 769 n.3 (9th Cir.
 18 1981). “The procedure was intended to avoid a useless trial of facts and issues over
 19 which there was really never any controversy and which would tend to confuse and
 20 complicate a lawsuit.” Id. (internal quotation marks omitted).

21 The mere fact that the parties filed cross-motions “does not necessarily mean
 22 there are no disputed issues of material fact and does not necessarily permit the
 23 judge to render judgment in favor of one side or the other.” Starsky v. Williams,
 24 512 F.2d 109, 112 (9th Cir. 1975). “[E]ach motion must be considered on its own
 25 merits.” Fair Hous. Council of Riverside Cnty., Inc. v. Riverside Two, 249 F.3d
 26 1132, 1136 (9th Cir. 2001). Also, the court must consider evidence submitted in
 27 support of and in opposition to both motions before ruling on either one. Id.

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1 **II. Equitable Defenses and Legal Successors-in-Interest in Privity**

2 Plaintiffs argue in their motion that Defendant cannot assert the defense of
 3 laches or equitable estoppel, and that summary judgment is proper barring
 4 Defendant from doing so. They premise their argument on the proposition that
 5 “[e]quitable defenses . . . are personal to the party asserting them,” and thus “*only* a
 6 legal successor-in-interest in privity may assert equitable defenses personal to its
 7 predecessor.” (Pls.’ Mot. 4:7–10, 5:17–20 (emphasis in original).) Relying on
 8 Radio Systems, Jamesbury, Aukerman, and a few other Federal Circuit cases,²
 9 Plaintiffs contend that a “common theme” emerges requiring “a complete transfer of
 10 a corporation or financial control” before a successor is entitled to assert its
 11 predecessor’s equitable defenses. (See *id.* at 6:22–7:25.) Plaintiffs argue that
 12 Defendant does not satisfy that requirement and thus cannot assert its predecessor’s
 13 defenses of laches or equitable estoppel. (See *id.*) However, Plaintiffs’ contention
 14 is a misunderstanding of the law.

15 The application of the defense of equitable estoppel and laches are
 16 “committed to the sound discretion of the trial judge.” Radio Sys. Corp. v. Lalor,
 17 709 F.3d 1124, 1130 (Fed. Cir. 2013); A.C. Aukerman Co. v. R.L. Chaises Constr.
 18 Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc). Federal Circuit precedent
 19 “confirms that equitable estoppel applies to successors-in-interest where privity has
 20 been established.” Radio Sys., 709 F.3d at 1130 (citing Jamesbury Corp. v. Litton
 21 Indus. Prods., Inc., 839 F.2d 1544, 1555 (Fed. Cir. 1988), overruled on other
 22 grounds by Aukerman, 960 F.2d at 1042). “[A] determination of laches is not made
 23 upon the application of ‘mechanical rules.’” Aukerman, 960 F.2d at 1032 (citing
 24 Holmberg v. Armbrecht, 327 U.S. 392, 396 (1946)). Rather, a “court must look at
 25 all of the particular facts and circumstances of each case and weigh the equities of

27 ² The other cases that Plaintiffs cite are: Gillig v. Nike, Inc., 602 F.3d 1354, 1362 (Fed. Cir.
 28 2009), A. Stucki Co. v. Worthington Industries Inc., 849 F.2d 593, 596–97 (Fed. Cir. 1988), and Eli
Lilly & Co. v. Premo Pharmaceuticals Laboratories, Inc., 843 F.2d 1378, 1382 (Fed. Cir. 1988). (Pls.’
 Mot. 7:3–13.)

1 the parties.” Id. “Like laches, equitable estoppel is not limited to a particular
 2 factual situation nor subject to resolution by simple or hard and fast rules.” Id. at
 3 1041.

4 In Radio Systems, Radio Systems Corporation and Innotek, Inc. filed a
 5 declaratory-judgment action against patentees Tom Lalor and Bumper Boy, Inc.
 6 709 F.3d at 1125-26. Radio Systems acquired Innotek a year after Bumper Boy sent
 7 Innotek its first demand letter. Id. at 1126. The district court granted summary
 8 judgment for Radio Systems, finding that Bumper Boy was equitably estopped from
 9 alleging that Radio Systems infringed the patents. Id. at 1130. On appeal, the
 10 Federal Circuit confirmed that equitable estoppel applies to successors-in-interest
 11 where privity has been established, and held that the district court did not abuse its
 12 discretion in concluding that equitable estoppel applied to one of Bumper Boy’s
 13 patent-infringement allegations against both Innotek and its successor-in-interest
 14 Radio Systems. Id. at 1131. The Federal Circuit also specifically noted that the
 15 district court’s privity findings are not challenged on appeal. Id. Contrary to
 16 Plaintiffs’ argument, the Federal Circuit did not explicitly or implicitly narrowly
 17 define a successor or privity as requiring a complete transfer of a corporation or
 18 financial control. See id.

19 Similarly, Plaintiffs’ reliance on Jamesbury is unavailing. In fact, the Federal
 20 Circuit did not even use the word “privity” in their opinion, and used the phrase
 21 “successor in interest” only once to describe the defendant-appellee in its holding
 22 that the successor is liable for the knowledge of its predecessor’s potential
 23 infringement. Jamesbury, 839 F.2d at 1555. The court added a corollary that the
 24 successor is entitled to rely on the lack of communication to the predecessor as well
 25 as to itself. Id. Again, the Federal Circuit did not explicitly or implicitly narrowly
 26 define a successor or privity in the manner that Plaintiffs suggest. See id.

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1 Plaintiffs' reliance on Gillig, Strucki, and Eli Lilly all suffer from this same
 2 defective understanding. See Gillig, 602 F.3d at 1362; Strucki, 849 F.2d at 596-97;
 3 Eli Lilly, 843 F.2d at 1382. Additionally, these cases are all distinguishable because
 4 none of them address the doctrine of laches or equitable estoppel. See Gillig, 602
 5 F.3d at 1362 (discussing privity in the context of *res judicata*); Strucki, 849 F.2d at
 6 596-97 (discussing liability to patentholder for direct infringement under
 7 corporate/successor liability); Eli Lilly, 843 F.2d at 1382 (addressing issue of
 8 whether an injunction also binds successors-in-interest in privity). Consequently,
 9 none of the aforementioned cases examine questions of law that are applicable to
 10 this case.

11 Ultimately, Plaintiffs fail to demonstrate that any of the cited cases bar
 12 Defendant from asserting the defense of laches and equitable estoppel.³ The Federal
 13 Circuit cases that they cite do not support the proposition that "a complete transfer
 14 of a corporation or financial control" is necessary for a successor to assert equitable
 15 defenses available to the predecessor. The absence of any affirmative language
 16 supporting Plaintiffs' contention among Federal Circuit cases suggests the complete
 17 opposite, that both equitable defenses are indeed available for Defendant to assert
 18 here as a successor-in-interest to Lakeland. See, e.g., Radio Sys., 709 F.3d at 1130.
 19 Therefore, Plaintiffs fail to show that they are entitled to partial summary judgment.

20 **III. Defendant's Defenses of Laches and Equitable Estoppel**

21 Defendant argues in their cross-motion that it is entitled to summary
 22 judgment on its equitable affirmative defenses of laches and equitable estoppel
 23 because the undisputed facts show that it satisfies each of the elements required for
 24

25 ³ Plaintiffs reference two South Carolina cases in its motion: Brown v. American Ry. Express
 26 Co., 128 S.C. 428 (1924), and Simmons v. Mark Lift Industries, Inc., 366 S.C. 308 (2005). (Pls.' Mot.
 27 6:8-22.) Brown is cited out of context in that it addresses a purchasing company's liability of debts
 28 of a selling corporation; it does not analyze privity or the equitable defenses that are at issue here. 128
 S.C. at 428. Similarly, Simmons addresses a successor's tort liability after the purchase of assets; it
 also does not analyze privity, equitable estoppel, or laches. 366 S.C. at 312-13. Thus, neither case is
 relevant to the Court's analysis. Moreover, Plaintiffs do not reference South Carolina law again in
 their reply brief, suggesting that they have abandoned this line of argument.

1 both defenses. (Def.’s Mot. 3:19–14:24.) Plaintiffs respond on three grounds: (1)
 2 Defendant is not a successor-in-interest and thus cannot “tack” onto Lakeland’s
 3 defenses, (2) there are disputed facts rendering summary judgment improper, and
 4 (3) Defendant fails to show that it was prejudiced by Plaintiffs’ silence. (Pls.’
 5 Opp’n 5:5–9:4, 9:8–14:7.) The Court will address the arguments below.

6 **A. Laches**

7 “[L]aches may be defined as the neglect or delay in bringing suit to remedy an
 8 alleged wrong, which taken together with lapse of time or other circumstances,
 9 causes prejudice to the adverse party and operates as an equitable bar.” Aukerman,
 10 960 F.2d at 1029. “[It] focuses on the dilatory conduct of the patentee and the
 11 prejudice which the patentee’s delay has caused.” Id. at 1031-32. “[A]
 12 determination of laches is not made upon the application of ‘mechanical rules.’” Id.
 13 at 1029. Rather, its application is “committed to the sound discretion of the district
 14 court.” Id. at 1032. “[L]aches bars relief on a patentee’s claim only with respect to
 15 damages accrued prior to suit.” Odetics, Inc. v. Storage Tech. Corp., 185 F.3d
 16 1259, 1272-73 (Fed. Cir. 1999) (quoting Aukerman, 960 F.2d at 1041) (internal
 17 quotation marks omitted). It results “in the patentee abrogating his right to exclude
 18 any infringing products sold prior to the filing of the complaint.” Id. at 1273.

19 It is well settled that to invoke the laches defense, a defendant has the burden
 20 to prove two factors: (1) “the plaintiff delayed filing suit for an unreasonable and
 21 inexcusable length of time from the time the plaintiff knew or reasonably should
 22 have known of its claim against the defendant”; and (2) “the delay operated to the
 23 prejudice or injury of the defendant.” Aukerman, 960 F.2d at 1032 (citing, among
 24 other cases, Costello v. United States, 365 U.S. 265, 282 (1961)). “The length of
 25 time which may be deemed unreasonable has no fixed boundaries but rather
 26 depends on the circumstances.” Id. (citing, among other cases, Galliher v. Cadwell,
 27 145 U.S. 368, 373 (1892)). “The period of delay is measured from the time the
 28 plaintiff knew or reasonably should have known of the defendant’s alleged

1 infringing activities to the date of suit.” Id. However, the laches period does not
 2 begin prior to the issuance of the patent. Meyers v. Asics Corp., 974 F.2d 1304,
 3 1307 (Fed. Cir. 1992) (citing Aukerman, 960 F.2d at 1032).

4 A “presumption of laches arises if the patentee delays bringing suit for more
 5 than six years after actual or constructive knowledge of the defendant’s infringing
 6 activity.” Ecolab, Inc. v. Envirochem, Inc., 264 F.3d 1358, 1371 (Fed. Cir. 2001)
 7 (citing Aukerman, 960 F.2d at 1035-36). The effect of this presumption is that the
 8 two facts of unreasonable delay and prejudice “*must* be inferred, absent rebuttal
 9 evidence.” Aukerman, 960 F.2d at 1037 (emphasis in original). “[T]he
 10 presumption of laches may be eliminated by offering evidence to show an excuse
 11 for the delay or that the delay was reasonable, even if such evidence may ultimately
 12 be rejected as not persuasive[,]” or by “offer[ing] evidence sufficient to place the
 13 matters of defense prejudice and economic prejudice genuinely in issue.” Id. at
 14 1038. “Elimination of the presumption does not mean the patentee precludes the
 15 possibility of a laches defense; it does mean, however, that the *presumption* of
 16 laches plays no role in the ultimate decision.” Id. (emphasis added).

17 There is no dispute between the parties that there was a delay on the part of
 18 Plaintiffs. However, there is a dispute regarding when the laches period began,
 19 which the parties agree is purely a legal question. (See Pls.’ Opp’n 5:8–9; Def.’s
 20 Reply 4:12–6:24.) Depending on when the laches period began, Plaintiffs may bear
 21 the burden of rebutting the presumption of laches. See Aukerman, 960 F.2d at
 22 1037.

23 1. The Laches Period

24 Generally, the laches defense is personal to a particular party. Aukerman,
 25 960 F.2d at 1032; see also Wanlass v. Fedders Corp., 145 F.3d 1461, 1464 (Fed.
 26 Cir. 1998) (period of delay measured from the time the plaintiff knew or reasonably
 27 should have known of the defendant’s alleged infringing activities). “The federal
 28 circuit has not, in the laches context, prescribed the standard to be applied in

1 determining whether an alleged infringer may ‘tack on’ delay periods from prior
2 infringing activity[.]” Engineered Prods. Co. v. Donaldson Co., Inc., 165 F. Supp.
3 2d 836, 854 (N.D. Iowa 2001). Regardless, there “never has been any magic in
4 corporate entity[,]” and disallowing tacking for a successor infringing corporation
5 “is not in the ends of justice” and promotes “form-over-substance.” Raber v.
6 Pittway Corp., No. C 92-2581, 1994 WL 374542, at *3 (N.D. Cal. July 11, 1994)
7 (quoting Am. Home Prods. Corp. v. Lockwood Mfg. Co., 173 U.S.P.Q. 486 (S.D.
8 Ohio 1972), aff’d, 483 F.2d 1120 (6th Cir. 1973)). Consequently, several courts
9 have adopted the rule that tacking should be allowed “in cases where only the
10 ownership of the defendant-business changes hands.” Id. (quoting 6 Donald S.
11 Chisum, Patents, § 19.05[2][a][ii]); Radar Indus., Inc. v. Cleveland Die & Mfg. Co.,
12 632 F. Supp. 2d 686, 692 (E.D. Mich. 2009); Five Star Mfg., Inc. v. Ramp Lite
13 Mfg., Inc., 44 F. Supp. 2d 1149, 1156 (D. Kan. 1999) (a defendant may tack when
14 there is “some formal transfer of the technology and good-will of the accused
15 product”); Sec. & Access (Elec. Media) Ltd. v. Nokia, Inc., No. 95-1689, 1997 WL
16 158308, at *4 (M.D. Fla. Mar. 24, 1997). This Court adopts the aforementioned
17 rule allowing tacking.

18 Both parties provide undisputed evidence that Defendant purchased “all or
19 substantially all of the non-real property assets” from Lakeland. (Def.’s Mot. Ex.
20 25; Pls.’ Mot. Ex. A (“Purchase Agreement”)). There is no dispute regarding the
21 contents of the Purchase Agreement or its authenticity. According to the Purchase
22 Agreement, all of Lakeland’s equipment, inventory, and “good will and other
23 intangibles” changed ownership. (Purchase Agreement § 1.1, Schedule 1.1–1.2.)
24 The good will associated with Lakeland included all trademarks, tradenames, logos,
25 websites, domain names, and phone numbers; and the other intangibles included all
26 designs, conceptual sketches, material samples, packaging materials and
27 photography, correspondence with manufacturing facilities, prepared quotations and
28 other research materials regarding the production of new Lakeland products. (Id.

1 Schedule 1.1.) The Purchase Agreement explicitly states that these new products
2 included “any SUV Tent prototypes, Self Inflating Sleeping Pad prototypes, Truck
3 Tent Rechargeable Light prototypes and all products from competitor companies
4 used to create or evaluate Lakeland Enterprises LLC products.” (Id.) The Purchase
5 Agreement demonstrates that there was a substantial change of ownership, including
6 technology and good will, of the “accused” truck tent to Defendant.⁴ See Five Star
7 Mfg., 44 F. Supp. 2d at 1156; see also Raber, 1994 WL 374542, at *3. Therefore,
8 Defendant may “tack on” the delay period from the alleged infringing activity of its
9 predecessor Lakeland. See Raber, 1994 WL 374542, at *3.

10 Plaintiffs first accused Lakeland of the alleged infringement when they sent
11 Lakeland a letter on July 31, 2003, identifying Enel as the owner of Patent '784 and
12 directing Lakeland to the "truck tent system invented by Lee Cargill." (See Def.'s
13 Mot. Ex. 12.) That letter shows that Plaintiffs were aware of Defendant's "Camp
14 Right" truck tent as of July 31, 2003, at the latest. (See *id.*) Defendant provides
15 additional correspondences between Plaintiffs and Lakeland that are also not in
16 dispute: (1) Lakeland's undated response to Plaintiffs' July 31, 2003 letter (*id.* Ex.
17 16); (2) Plaintiff's demand letter sent to Lakeland dated August 18, 2003 (*id.* Ex.
18 17); and (3) Lakeland's letter identifying distinctions between the parties' respective
19 truck tents, and requesting observations and comments directed to specific elements
20 raised dated October 22, 2003 (*id.* Ex. 19). The parties agree that there was no
21 additional correspondence after October 22, 2003 until this lawsuit was filed on
22 June 6, 2012. The time that lapsed during that period is over 8 years and 9 months.
23 That 8+ year delay in bringing suit after having knowledge of the alleged infringing
24 activity results in a presumption of laches against Plaintiffs. See Ecolab, 264 F.3d

⁴ Plaintiffs argue that Defendant cannot tack onto its predecessor's laches period. (Pls.' Opp'n 6:6:9–7:19.) This argument is based on the faulty premise, which the Court discussed above, that “[p]rivity requires either complete transfer of a corporation or financial control of one party over another.” (See *id.* at 6:9–13, 7:4–19.) The Court, once again, rejects this argument.

1 at 1371 (citing Aukerman, 960 F.2d at 1035-36).

2 **2. Rebutting the Laches Presumption**

3 Plaintiffs do not attempt to rebut the laches presumption by offering evidence
 4 showing an excuse or that the delay was reasonable. Rather, relying on the distorted
 5 premise that “lack of prejudice rebuts a presumption of laches,” Plaintiffs argue that
 6 Defendant’s summary-judgment motion should be denied because Defendant fails to
 7 establish that it suffered evidentiary or economic prejudice. (Pls.’ Opp’n
 8 10:4–14:15.)

9 “A patentee may . . . eliminate the presumption [of laches] with an offer of
 10 evidence sufficient to place the matters of defense prejudice and economic prejudice
 11 genuinely at issue.” Aukerman, 960 F.2d at 1038. “Thus, the patentee may
 12 eliminate the presumption by offering proof that no *additional* prejudice occurred in
 13 the six-year time period, *i.e.*, that evidence respecting an alleged infringer’s
 14 defenses remains available substantially as before the delay and that economic
 15 prejudice . . . has not occurred.” Id. (emphasis in original). In other words, the
 16 laches presumption shifts the burden of production to the patentee. See Serdarevic
 17 v. Advanced Med. Optics, Inc., 532 F.3d 1352, 1360 (Fed. Cir. 2008). It does not
 18 mean, as Plaintiffs state, that a “lack of prejudice rebuts the presumption of laches.”
 19 See id.

20 “Material prejudice to adverse parties resulting from the plaintiff’s delay is
 21 essential to the laches defense.” Aukerman, 960 F.2d at 1033. “Such prejudice may
 22 be either economic or evidentiary.” Id. “Evidentiary, or ‘defense’ prejudice, may
 23 arise by reason of a defendant’s inability to present a full and fair defense on the
 24 merits due to the loss of records, the death of a witness, or the unreliability of
 25 memories of long past events, thereby undermining the court’s ability to judge the
 26 facts.” Id. “Economic prejudice may arise where a defendant and possibly others
 27 will suffer the loss of monetary investments or incur damages which likely would
 28 have been prevented by earlier suit.” Id. “Prejudice may be shown by a change of

1 economic position flowing from actions taken or not taken by the patentee.” Aspex
 2 Eyewear Inc. v. Clariti Eyewear, Inc., 605 F.3d 1305, 1312-13 (Fed. Cir. 2010)
 3 (citing ABB Robotics, Inc. v. GMFanuc Robotics Corp., 52 F.3d 1062, 1065 (Fed.
 4 Cir. 1995) (“[C]ases in which economic prejudice has been found lacking did not so
 5 hold because of a lack of capital investments, but, rather, because the alleged
 6 infringer failed to prove that their increased expenditures, i.e., on marketing and
 7 development, were in any way related to actions taken by the patentee.”)).
 8 Although “increasing sales . . . may constitute economic prejudice,” they alone are
 9 not always sufficient to prove that prejudice. See ABB Robotics, 52 F.3d at 1062.

10 Defendant contends that it sustained both evidentiary and economic prejudice
 11 as a result of Plaintiffs’ delay. For example, relying on Plaintiffs’ failure to respond
 12 to the October 22, 2013 letter, Lakeland and Mr. Schaefer continued to
 13 manufacture, market, and sell their truck tents, ultimately selling the entire truck-
 14 tent business to Defendant. (Def.’s Mot. Ex. 15.) Defendant, in turn, continued to
 15 “heavily” invest in and expand the truck-tent business, investing over \$320,000 in
 16 the “overall Rightline business,” which includes truck tents, and increased its
 17 vendors from 2 vendors in 2009 to 32 vendors in 2012. (Loren Decl. ¶¶ 6–9,
 18 13–18.) Defendant also adds that it “has not had any reason to retain all documents
 19 from 2008 and shortly thereafter,” and Lakeland and Mr. Schaefer have not retained
 20 much of the documentation from 2003 “including but not limited to
 21 contemporaneous notes, sketches, financial documents, invoices, bank transaction
 22 information, cost of goods sold and expense information.” (Def.’s Mot. Ex. 15.)
 23 Because the laches presumption applies here, prejudice is necessarily inferred,
 24 absent rebuttal evidence. See Aukerman, 960 F.2d at 1037 (“With the [laches]
 25 presumption, these facts [of unreasonable delay and prejudice] *must* be inferred,
 26 absent rebuttal evidence.”). Consequently, the Court presumes that prejudice
 27 resulted from the 8+ year delay, and now it is Plaintiffs’ burden to produce evidence
 28 to rebut that presumption of prejudice. See Serdarevic, 532 F.3d at 1360-61.

1 Plaintiffs base their rebuttal on four grounds: (1) Defendant's motion is based
 2 on disputed facts, rendering summary judgment inappropriate; (2) Defendant did not
 3 rely on Plaintiffs' silence to its prejudice; (3) Defendant fails to establish economic
 4 prejudice; and (4) Defendant fails to establish evidentiary prejudice. (Pls.' Opp'n
 5 9:5–14:15.) Plaintiffs provide evidence of Defendant's Internet-domain registry and
 6 Defendant's "Responses and Objections to Plaintiffs' First Set of Requests for
 7 Production of Documents and Things." (See Pls.' Opp'n Exs. A, B.) However,
 8 Plaintiffs do not actually cite either exhibit in their rebuttal arguments.

9 To begin, the Court reiterates that prejudice to Defendant as a result of
 10 Plaintiffs' 8+ year delay in bringing suit is presumed. See Aukerman, 960 F.2d at
 11 1037. It is not Defendant's responsibility, as Plaintiffs argue, to demonstrate
 12 economic or evidentiary prejudice following the finding that Defendant is entitled to
 13 the laches presumption. See id. Rather, it is Plaintiffs' burden to produce evidence
 14 rebutting the presumption of prejudice by showing that the evidence that they
 15 produce creates a genuine issue of material fact. See id. Plaintiffs fail to fulfil their
 16 burden.

17 Starting with evidentiary prejudice, the entirety of Plaintiffs' rebuttal
 18 argument is as follows:

19 Evidentiary prejudice amounts from an inability to present a
 20 full and fair defense, essentially handicapping the court from
 21 making a judgment based on all the facts. Rightline has not
 22 specifically identified any records which have been
 23 destroyed since 2008 and are necessary to Rightline's
 24 defense. Rightline has not alleged that any key witnesses
 25 have died, or that they no longer remember essential facts.
 Rightline simply states that it "has not had any reason to
 retain all documents form [sic] 2008 and shortly thereafter."
 Conclusory statements are not sufficient to demonstrate
 evidentiary prejudice. Rightline's insufficient showing fails
 to establish that Rightline suffered evidentiary prejudice.
 (Pls.' Opp'n 13:17–14:7 (citations omitted).) It is apparent that Plaintiffs proceed
 with their argument under the false premise that Defendant carries some burden to
 demonstrate evidentiary prejudice. However, Plaintiffs are mistaken. Defendant
 does not carry any such a burden, and prejudice is presumed because of Plaintiffs'

1 8+ year delay. See Aukerman, 960 F.2d at 1037. Regardless, and contrary to
 2 Plaintiffs' argument, Defendant does identify evidence to support its position that it
 3 sustained evidentiary prejudice. (See Def.'s Mot. Ex. 15.)

4 More importantly, Plaintiffs fail to produce or identify any evidence that
 5 creates a genuine issue of material fact as to evidentiary prejudice. See id. at 1033.
 6 Plaintiffs do not direct the Court to a single shred of evidence. (See Pls.' Opp'n
 7 13:17–14:7.) Therefore, Plaintiffs fail to rebut the presumption of laches, which is
 8 enough for the Court to conclude that summary judgment is appropriate and the
 9 doctrine of laches bars Plaintiffs' patent-infringement claim. See Serdarevic, 532
 10 F.3d at 1360-61 (affirming district court's conclusion that the plaintiff failed to meet
 11 her burden of production on evidentiary prejudice, and, as a result, the district court
 12 did not reach the issue of economic prejudice).

13 Though the Court need not continue to its analysis of economic prejudice, it
 14 will nonetheless address Plaintiffs' attempt to rebut the presumption of economic
 15 prejudice, which ultimately suffers from the same failure to produce evidence as
 16 with evidentiary prejudice. Defendant provides evidence that it "heavily" invested
 17 in and expanded its truck-tent business, the most prominent being Defendant's
 18 purchase of Lakeland's assets. (See, e.g., Def.'s Mot. Ex. 15; Loren Decl. ¶¶ 6–9,
 19 13–18.) Rather than producing evidence to rebut the presumption of economic
 20 prejudice, Plaintiffs only present an alternative interpretation of Defendant's
 21 evidence: "Rightline . . . did not rely on Plaintiffs' silence. Rather, Rightline relied
 22 on its own investigation before the purchase as well as non-infringement opinions
 23 obtained *after* Lakeland Enterprises was purchased." (Pls.' Opp'n 11:17–21
 24 (emphasis in original).) Foremost, reliance is not an element of the laches defense.
 25 See Aukerman, 960 F.2d at 1032. Thus, even if Plaintiffs' contention is true, it is
 26 irrelevant to this analysis because it does not address the presumed economic
 27 prejudice. See id.

28 / / /

1 Moving on, like Plaintiffs' inability to rebut evidentiary prejudice, Plaintiffs
 2 again fail to produce or identify evidence that creates a genuine issue of material
 3 fact as to economic prejudice. See id. at 1033. Plaintiffs reference an "Ex. B, at p.
 4 13" to support the proposition that "Mr. Evans provided Cabela's with 'a document
 5 stating how or why its tent did not infringe any of the vehicle tent patents in
 6 existence,'" but Exhibit B attached to Plaintiffs' opposition brief does not contain
 7 that quote. (See Pls.' Opp'n Ex. B.) And it is not the Court's duty to scour the
 8 record to find the source of that quotation. See Keenan, 91 F.3d at 1279. Even if
 9 supported by evidence, Plaintiffs' proposition is ultimately irrelevant to rebutting
 10 the economic-prejudice presumption.

11 In sum, based on the undisputed facts, Defendant is entitled to the laches
 12 presumption, which Plaintiffs fail to rebut. See Aukerman, 960 F.2d at 1037.
 13 Plaintiffs fail to satisfy their burden of production to show that there is a genuine
 14 issue of material fact as to evidentiary and economic prejudice. See id. Therefore,
 15 Plaintiffs are barred from seeking relief for damages accrued prior to the initiation
 16 of this lawsuit for their patent-infringement claim. See Serdarevic, 532 F.3d at
 17 1360-61; Odetics, 185 F.3d at 1272-73.

18 **B. Equitable Estoppel**

19 Equitable estoppel is a defense addressed to the "sound discretion of the trial
 20 court." Aukerman, 960 F.2d at 1041 (citing Jamesbury, 839 F.2d at 1553). "Where
 21 equitable estoppel is established, all relief on a claim may be barred." Id. It is
 22 neither "limited to a particular factual situation nor subject to resolution by simple
 23 or hard and fast rules." Id. The doctrine of equitable estoppel requires: "(1)
 24 misleading conduct, which may include not only statements and actions but silence
 25 and inaction, leading another to reasonably infer that rights will not be asserted
 26 against it; (2) reliance upon this conduct; and (3) due to this reliance, material
 27 prejudice if the delayed assertion of such rights is permitted." Mabus v. Gen.
 28 Dynamics C4 Sys., Inc., 633 F.3d 1356, 1359 (Fed. Cir. 2011) (quoting Lincoln

1 Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc., 971 F.2d 732, 734 (Fed. Cir. 1992));
 2 see also Aukerman, 960 F.2d at 1041. “Delay in filing suit may be evidence which
 3 influences the assessment of whether the patentee’s conduct is misleading but it is
 4 not a requirement of equitable estoppel.” Aukerman, 960 F.2d at 1042.

5 “To show reliance, the infringer must have had a relationship or
 6 communication with the plaintiff which lulls the infringer into a sense of security in
 7 going ahead with [its investments].” Aukerman, 960 F.2d at 1043. A defendant
 8 need not prove precisely what alternative paths it would have taken, or that every
 9 marketing decision was based on reliance on a plaintiff’s silence. See Aspex
 10 Eyewear, 605 F.3d at 1312.

11 Though a majority of Plaintiffs’ opposition is that disputes of material fact
 12 exist regarding prejudice, they also argue that a dispute of material fact exists
 13 regarding reliance. Plaintiffs contend that Defendant did not rely on Plaintiffs’
 14 silence, but rather Defendant “relied on its own investigation before the purchase as
 15 well as non-infringement opinions obtained *after* Lakeland Enterprises was
 16 purchased.” (Pls.’ Opp’n 9:18–10:3, 11:16–13:16.)

17 Whether Defendant took into account and relied on Plaintiffs’ silence is in
 18 dispute here. See Aspex Eyewear, 605 F.3d at 1312. Plaintiffs present a plausible
 19 reasonable inference that can be drawn from the undisputed facts that Defendant
 20 relied on its own investigation in developing its truck-tent business. (Pls.’ Opp’n
 21 11:16–13:16.) They direct the Court to evidence, such as responses to
 22 interrogatories and patent-review opinions, that shows that Defendant heavily
 23 consulted third parties before making its decision to proceed with the truck-tent
 24 business. (See Def.’s Mot. Ex. 26; see also Pls.’ Opp’n 11:16–12:20.) In addition
 25 to the aforementioned evidence, Plaintiffs direct the Court to Defendant’s own
 26 statements that purportedly show that the purchase of Lakeland “was a business
 27 decision based on its own independent investigation that would have been made
 28 regardless of any reliance on Plaintiffs’ silence.” (Pls.’ Opp’n 11:16–12:16 (citing

1 various statements presented by Defendant.) This directly contradicts Defendant's
 2 interpretation of the undisputed facts that it relied on Plaintiffs' non-responsiveness
 3 and silence when it decided to develop and continue the truck-tent business. (See,
 4 e.g., Evans Decl. ¶ 5.) Both interpretations are reasonable inferences that can be
 5 drawn from the undisputed facts.

6 Because Defendant is the moving party on this issue, the Court must view all
 7 inferences drawn from the underlying facts in the light most favorable to Plaintiffs.
 8 See Matsushita, 475 U.S. at 587. Even though there is evidence—for example, Mr.
 9 Evans' declaration—directly stating that Defendant relied on Plaintiffs' silence, it is
 10 improper for the Court to make credibility determinations or weigh evidence. See
 11 Anderson, 477 U.S. at 255. “[T]he drawing of legitimate inferences from the facts
 12 are jury functions, not those of a judge, [when] he [or she] is ruling on a motion for
 13 summary judgment.” Id. Taking that into consideration, the Court has no choice
 14 but to conclude that a dispute of material fact exists as to whether Defendant relied
 15 on Plaintiffs' inaction and silence. See id.; Matsushita, 475 U.S. at 587. Therefore,
 16 the doctrine of equitable estoppel does not bar Plaintiffs' patent-infringement claim
 17 at this stage of litigation.⁵ See Aspex Eyewear, 605 F.3d at 1312.

18 CONCLUSION

19 In light of the foregoing, the Court **DENIES** Plaintiffs' motion for partial
 20 summary judgment, and **GRANTS IN PART** and **DENIES IN PART** Defendant's
 21 cross-motion for partial summary judgment. Specifically, under the doctrine of
 22 laches, Plaintiffs are barred from seeking relief for damages that accrued prior to the
 23 initiation of this lawsuit for their patent-infringement claim. See Serdarevic, 532
 24 F.3d at 1360-61; Odetics, 185 F.3d at 1272-73. However, Plaintiffs' patent-
 25 infringement claim is not barred by the doctrine of equitable estoppel. See Aspex

26
 27 ⁵ The Court need not address material prejudice because Defendant fails to show that the
 28 undisputed facts establish that it relied on Plaintiffs' silence in developing its truck-tent business. See
Mabus, 633 F.3d at 1359.

1 Eyewear, 605 F.3d at 1312. This amended order supersedes the Court's previous
2 order issued on October 2, 2013, Enel Co., LLC v. Schaefer, No. 12-cv-1369-
3 IEG(WMC), 2013 WL 5504434 (S.D. Cal. Oct. 2. 2013).

4 **IT IS SO ORDERED.**

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6 **DATED: October 21, 2013**

7 
8 **IRMA E. GONZALEZ**
United States District Judge

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